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Jurisdictional Amount in the Federal District Courts

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NOTES

JURISDICTIONAL AMOUNT IN THE FEDERAL DISTRICT COURTS

In 1925, Judge Dobie, then professor of law at the University of Virginia, advanced a formula for determining the value of the matter in controversy in *all* federal question and diverse citizenship cases in the federal district courts.[1] He called it a "plaintiff-viewpoint rule,"[2] and stated it thus: "The amount in controversy in the United States District Court is always to be determined by the value to the plaintiff of the right which he in good faith asserts in his pleading that sets forth the operative facts which constitute his cause of action."[3]

Since then, the rule has received sanction and support from eminently respectable authority. Judge Clark of the Second Circuit has said, "This, the so-called plaintiff's viewpoint test . . . seems now well settled. . . ,"[4] and Judge Parker of the Fourth Circuit has said, "It is well settled that the measure of jurisdiction in a suit for injunction is the value to plaintiff of the right which he seeks to protect."[5] Similarly, Moore, in his *Federal Practice,* wrote, "It must be said, however, that the prevailing note of the decisions and the impulses of logic and expediency indicate that the amount in controversy should be determined from the standpoint of the plaintiff,"[6] and Judge Yankwich, in an article published in the *Federal Rules Decisions,* wrote, "As a general proposition, it may be said that the test for determining the existence of the jurisdictional minimum is the value to the plaintiff of the right which he seeks to assert."[7] Numerous writers for law reviews have taken a similar attitude.[8]

In the light of such assertions, one would suppose that the rule is virtually uncontested in the federal courts. Yet disturbing instances are continually presenting themselves, in which the district courts have found the requisite jurisdictional amount by evaluating the defendant's interest rather than the plaintiff's.[9] Nor is this disparity limited to the district courts. As recently as 1944, one finds the Court of Appeals for the Ninth Circuit asking

1. Dobie, *Jurisdictional Amount in the United States District Court,* 38 HARV. L. REV. 733 (1925). Also in DOBIE, FEDERAL JURISDICTION AND PROCEDURE 133 (1928).

2. 38 HARV. L. REV. at 736.

3. *Id.* at 734.

4. Central Mexico Light Co. v. Munch, 116 F.2d 85, 87 (2d Cir. 1940).

5. Purcell v. Summers, 126 F.2d 390, 394 (4th Cir. 1942).

6. 1 MOORE, FEDERAL PRACTICE 511 (1938).

7. Yankwich, *Some Jurisdictional Pitfalls in Diversity Cases,* 2 F.R.D. 388, 395 (1943).

8. See, *e.g.,* Notes, 19 MINN. L. REV. 768, 769 (1935), 49 YALE L.J. 274, 278 (1939); 17 N.C.L. REV. 427, 428 (1939), 18 TULANE L. REV. 655, 656 (1944).

9. The most recent of these are Sterl v. Sears, 88 F. Supp. 431 (N.D. Texas 1950), and Shipe v. Floral Hills, Inc., 86 F. Supp. 985 (W.D. Mo. 1949).

the following question: "Is the minimum requirement based upon (a) the value of the matter in controversy to the complainant, (b) the value of the matter in controversy to either the complainant or defendant, (c) the value of the thing to be accomplished, or (d) either or any one or any combination of these?"[10] Since in that case the court conceded that the plaintiff's interest was negligible, it apparently did not select the value to the complainant as the proper solution, because jurisdiction was upheld.

The source of this confusion lies in the statutes limiting jurisdiction of the federal district courts in federal question[11] and diverse citizenship[12] cases to those actions where the matter in controversy exceeds the sum or value of $3,000, exclusive of interest and costs.[13] The language is broad, but perhaps necessarily so, since the variety of situations intended to be covered is vast. The courts apparently assume that the purpose of the amount limitation is to prevent overcrowding of the federal court docket by limiting federal jurisdiction to cases involving significant amounts.[14] It would seem, however, that this purpose could be adequately served by an interpretation less rigorous than the one proposed by the plaintiff-viewpoint rule. Indeed, it is possible that no single rule for application of these statutes to all situations both at law and in equity ought to be attempted. This is the contention of Montgomery: "The rule for determining the amount in controversy in any particular case depends upon the circumstances thereof; and, inasmuch as fact settings are infinitely varying, it is evident that a principle or principles which shall govern all cases cannot be formulated."[15]

With regard to actions at law based upon money demands, the application of the statutes for the purpose of determining the jurisdictional amount is fairly well standardized. Once the matter in controversy is determined, its value usually is apparent. The general rule is adequately stated by the Supreme Court in *St. Paul Mercury Indemnity Co. v. Red Cab Co.*:[16]

> "The rule governing dismissal for want of jurisdiction in cases brought in the federal court is that, unless the law gives a different rule, the sum claimed by the plaintiff controls if the claim is apparently made in good faith. It must appear to a legal certainty that the claim is really for less than the jurisdictional amount to justify dismissal. The inability of plaintiff to recover an amount adequate to give the court

10. Ridder Bros., Inc. v. Blethen, 142 F.2d 395, 398 (9th Cir. 1944).

11. 28 U.S.C.A. § 1331 (1949); formerly embodied in 28 U.S.C.A. § 41 (1) (1927).

12. 28 U.S.C.A. § 1332 (1949); formerly embodied in 28 U.S.C.A. § 41 (1) (1927).

13. By necessary implication, the same jurisdictional amount requirement applies to removed cases, 28 U.S.C.A. § 1441 (1950); formerly embodied in 28 U.S.C.A. § 71 (1927).

14. Davis v. Mills, 99 Fed. 39, 40 (C.C.D. Conn. 1900); Tlusty v. Gillespie-Rogers-Pyatt Co., 35 F. Supp. 910, 911 (E.D.N.Y. 1940). See also, 82 U. OF PA. L. REV. 177, 179 (1933).

15. MONTGOMERY, MANUAL OF FEDERAL JURISDICTION AND PROCEDURE § 95 (4th ed. 1942).

16. 303 U.S. 283, 58 Sup. Ct. 586, 82 L. Ed. 845 (1938).

jurisdiction does not show his bad faith or oust the jurisdiction. Nor does the fact that the complaint discloses the existence of a valid defense to the claim."[17]

However, in many suits in which the plaintiff seeks equitable relief[18] the twofold problem is raised of determining not only the actual matter in controversy, but also its proper evaluation.[19] In the historic case of *Mississippi & M.R.R. v. Ward,*[20] Mr. Justice Catron announced, "But the want of a sufficient amount of damage having been sustained to give the Federal Courts jurisdiction, will not defeat the remedy, as the removal of the obstruction is the matter in controversy, and the value of the object must govern."[21] In that case, the obstruction sought to be removed was a bridge owned by the defendant, and its value was taken as the value which determined the question of amount. Thus arose a test for determining jurisdictional amount, applied particularly in injunction suits,[22] based upon the "value of the object."[23]

Later Supreme Court cases, often cited in support of the plaintiff-viewpoint rule, extended this "value of the object"[24] test to include the value of the right asserted by the plaintiff,[25] on the basis that protection of that right was one of the objects of the suit. That the Court did not intend to

17. 303 U.S. at 288.

18. Injunction suits seem to be particularly troublesome, but specific performance, cancellation, rescission, quieting title, removing cloud and appointing receivers also present difficulty.

19. Because the cases are legion and the variations infinite, writers have found in this subject a wealth of material. See generally DOBIE, FEDERAL JURISDICTION AND PROCEDURE §§ 55-58 (1928); 1 HUGHES, FEDERAL PRACTICE, JURISDICTION AND PROCEDURE §§ 411-513 (1931); MONTGOMERY, MANUAL OF FEDERAL JURISDICTION AND PROCEDURE §§ 90-101 (4th ed. 1942); 1 MOORE, FEDERAL PRACTICE § 8.06 (1938); SIMKINS, FEDERAL PRACTICE §§ 463-83 (Rev. ed., Schweppe, 1934); Blume, *Jurisdictional Amount in Representative Suits,* 15 MINN. L. REV. 501 (1931); Dobie, *Jurisdictional Amount in the United States District Court,* 38 HARV. L. REV. 733 (1925); Yankwich, *Some Jurisdictional Pitfalls in Diversity Cases,* 2 F.R.D. 388, 395-96 (1943); Notes, 25 CALIF. L. REV. 336 (1937) (injunction suits), 34 COL. L. REV. 311 (1934), 19 MINN. L. REV. 768 (1935) (consideration of future values), 25 MINN. L. REV. 356 (1941) (insurance contracts), 8 MO. L. REV. 131 (1943) (insurance contracts). Also see 36 CALIF. L. REV. 124 (1948) (installment payment cases), 32 GEO. L.J. 198 (1944) (plaintiff's good faith), 52 HARV. L. REV. 1360 (1939) (joinder of parties), 39 ILL. L. REV. 178 (1944) (representative suits), 17 N.C.L. REV. 427 (1939) (injunction suits), 19 TEXAS L. REV. 514 (1941) (pecuniary result to either party), 18 TULANE L. REV. 655 (1944) (Workmen's Compensation), 9 U. OF CHI. L. REV. 339 (1942) (future payments), 92 U. OF PA. L. REV. 211 (1943) (disability claims), 27 VA. L. REV. 704 (1941) (aggregation of claims).

20. 2 Black 485, 17 L. Ed. 311 (U.S. 1863).

21. *Id.* at 492.

22. American Smelting & Refining Co. v. Godfrey, 158 Fed. 225, 14 Ann. Cas. 8 (8th Cir. 1907); Amelia Milling Co. v. Tennessee Coal, Iron & R. Co., 123 Fed. 811 (C.C.N.D. Ga. 1903); American Fisheries Co. v. Lennen, 118 Fed. 869 (C.C.D. Conn. 1902); Rainey v. Herbert, 55 Fed. 443 (3rd Cir. 1893); Whitman v. Hubbell, 30 Fed. 81 (C.C.S.D.N.Y. 1887).

23. Dobie calls this "Mr. Justice Catron's unfortunate phrase." DOBIE, FEDERAL JURISDICTION AND PROCEDURE 141 (1928); Dobie, *Jurisdictional Amount in the United States District Court,* 38 HARV. L. REV. 733, 743 (1925).

24. Or, "the value of the thing to be accomplished. . . ." Ridder Bros., Inc. v. Blethen, 142 F.2d 395, 398 (9th Cir. 1944).

25. Glenwood Light Co. v. Mutual Light Co., 239 U.S. 121, 36 Sup. Ct. 30, 60 L. Ed. 174 (1915); Berryman v. Whitman College, 222 U.S. 334, 32 Sup. Ct. 147, 56 L. Ed. 225 (1912); Bitterman v. Louisville & N.R.R., 207 U.S. 205, 28 Sup. Ct. 91, 52 L. Ed. 171, 12 Ann. Cas. 693 (1907); Hunt v. New York Cotton Exchange, 205 U.S. 322, 27 Sup. Ct. 529, 51 L. Ed. 821 (1907).

overrule the earlier interpretation of the "value of the object" test, but merely to expand it, is suggested by the precise language of the decision in the *Glenwood* case: "The object of the present suit is not only the abatement of the nuisance, but (under the prayer for general relief) the prevention of any recurrence of the like nuisance in the future."[26]

In the *Glenwood* case, the Court found the amount requirement satisfied by the value of the plaintiff's interest, so that it did not necessarily reject the proposition that the defendant's interest, if its value exceeded $3,000, might also satisfy the requirement. On the other hand, since in the *Ward* case the value of the defendant's bridge would seem more closely related to the defendant than to the plaintiff, it may at least be asserted that neither case constitutes a clear command to the lower courts to consider only the plaintiff's interest in determining jurisdictional amount. Thus the courts, upon occasion, have felt no constraint in announcing that the value of the matter in controversy may be the pecuniary result to either party which a judgment entered in the case would produce;[27] or stated otherwise, it may be the value of that which the plaintiff claims to recover or the value of that which the defendant will lose if the plaintiff succeeds in his suit.[28]

Against the often repeated contention that the Supreme Court supports the plaintiff-viewpoint rule,[29] it must be noted that recent language of the Court has been decidedly ambiguous. Thus, in *Thomson v. Gaskill*,[30] Mr. Justice Frankfurter said, "In a diversity litigation the value of the 'matter in controversy' is measured not by the monetary result of determining the principle involved, but by its pecuniary consequence to those involved in the litigation."[31] Although this statement might appear at first to be opposed to

26. Glenwood Light Co. v. Mutual Light Co., *supra* note 25 at 125.

27. This is the rule applied by several of the courts of appeal and many of the district courts. See Ridder Bros., Inc. v. Blethen, 142 F.2d 395, 399 (9th Cir. 1944); Ronzio v. Denver & R.G.W.R.R., 116 F.2d 604, 606 (10th Cir. 1940); Elliott v. Empire Natural Gas Co., 4 F.2d 493, 497 (8th Cir. 1925); Sterl v. Sears, 88 F. Supp. 431, 432 (N.D. Texas 1950); Shipe v. Floral Hills, Inc., 86 F. Supp. 985 987 (W.D. Mo. 1949); Griffith v. Enochs, 43 F. Supp. 352, 356 (W.D. La. 1942); New Jersey Federation v. Hoffman, 25 F. Supp. 687 (M.D. Pa. 1938); Armstrong v. Townsend, 8 F. Supp. 953, 955 (S.D. Ind. 1934). It is also the rule sanctioned by 1 HUGHES, FEDERAL PRACTICE, JURISDICTION AND PROCEDURE § 422 (1931).

28. See Miller v. First Service Corp., 84 F.2d 680, 681 (8th Cir. 1936), 109 A.L.R. 1179 (1937); Cowell v. City Water Supply Co., 121 Fed. 53, 57 (8th Cir. 1903); Harrison v. Grandison Co., 34 F. Supp. 356, 358 (E.D. La. 1940).

29. See Judge Garrecht's dissenting opinion in Ridder Bros., Inc. v. Blethen, 142 F.2d 395, 400 (9th Cir. 1944), in which he says, "A careful check of all the authorities cited by the appellants and quoted in the majority opinion will bear out the observation that the lower Federal courts have recognized the rule that the value in controversy may be viewed from the defendant's standpoint but there are no cases in which the United States Supreme Court has adopted this rule. I am of the opinion that the plaintiff's viewpoint rule is the one recognized by the Supreme Court." See also Note, 49 YALE L.J. 274, 278 (1939): "Although the Supreme Court has long adopted the plaintiff's point of view, some lower courts have continued to use that of the defendant."

30. 315 U.S. 442, 447, 62 Sup. Ct. 673, 86 L. Ed. 951 (1942).

31. Similar language may be found in Wheless v. St. Louis, 180 U.S. 379, 382, 21 Sup. Ct. 402, 45 L. Ed. 583 (1901). Probably the strongest support for the alternative rule is found in Smith v. Adams, 130 U.S. 167, 175, 9 Sup. Ct. 566, 32 L. Ed. 895 (1889),

the plaintiff-viewpoint rule, an analysis of the entire case indicates that it was intended merely as an affirmation of the well-established principle that any collateral effect of a judgment in a case will have no bearing upon the determination for jurisdictional purposes of the amount involved in the particular case,[32] since nowhere in the opinion was the pecuniary consequence to the defendant considered.

But even assuming that the Supreme Court favors the plaintiff's viewpoint, at least one exception must be made. In *Koster v. (American) Lumbermens Mutual Casualty Co.*,[33] Mr. Justice Jackson, referring to stockholders' derivative actions, said, "Plaintiffs also, as in this case, often have only a small financial interest in a large controversy. Plaintiffs, like this one, if their own financial stake were the test, sometimes do not have a sufficient individual interest to make up the required jurisdictional amount. Again this class of cases is favored with the fiction that plaintiffs' possible recovery is not the measure of the amount involved for jurisdictional purposes but that the test is the damage asserted to have been sustained by the defendant corporation."[34] Although it may be contended that in this case the Court could have found the required amount by aggregating the claims of all stockholders or by considering the defendant corporation as the true plaintiff, without abandoning the plaintiff's viewpoint, nevertheless it is a fact that the court did not choose to do so.

The statutes could have been framed in more specific language, if that were desirable. Since the revisors of the Judicial Code were aware of the apparent confusion among the courts with regard to the proper interpretation of the words, "where the matter in controversy exceeds the sum or value of $3,000," the retention of those words in the 1948 revision of the Judicial Code seems to indicate the feeling that a certain degree of indefiniteness is both desirable and necessary in order to provide for all situations which might develop.

However, the seeming conflict is perhaps more in the expressions used by the courts than in the actual results obtained. It is difficult to find a case where jurisdiction has been denied because of an insufficient amount involved, in the face of clear proof that the value of defendant's immediate interest exceeded the amount requirement. The cases customarily cited in support of the plaintiff-viewpoint rule seem to fall into two classes: (1) where the

where the Court, speaking of the amount limitation as to appellate review, said, "It is conceded that the pecuniary value of the matter in dispute may be determined, not only by the money judgment prayed, where such is the case, but in some cases by the increased or diminished value of the property directly affected by the relief prayed, or by the pecuniary result to one of the parties immediately from the judgment."

32. Healy v. Ratta, 292 U.S. 263, 54 Sup. Ct. 700, 78 L. Ed. 1248 (1934); Elgin v. Marshall, 106 U.S. 578, 1 Sup. Ct. 484, 27 L. Ed. 249 (1883); Elliott v. Empire Natural Gas Co., 4 F.2d 493 (8th Cir. 1925); Spieler v. Haas, 79 F. Supp. 835 (S.D.N.Y. 1948). See DOBIE, FEDERAL JURISDICTION AND PROCEDURE 150 (1928).

33. 330 U.S. 518, 67 Sup. Ct. 828, 91 L. Ed. 1067 (1947).

34. *Id.* at 523.